



District of Columbia Water and Sewer Authority

MINUTES

***124th Meeting of the Board of Directors
Thursday, September 6, 2007***

Present Directors

Chairman Robin B. Martin, District of Columbia
Anthony Griffin, Vice Chairman, Fairfax County
Dr. Jacqueline Brown, Prince George's County
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Dan Tangherlini, District of Columbia
Alan Roth, District of Columbia
Timothy Firestine, Montgomery County
David Lake, Alternate for Montgomery County
David Byrd, Prince George's County
F. Alexis Roberson, District of Columbia

Present Alternate Directors

Brenda Richardson, District of Columbia
Chris Akinbobola, Prince George's County
Joseph Cotruvo, District of Columbia
Kenneth Davis, District of Columbia
Paivi Spoon, Prince George's County
Steven McLendon, District of Columbia
Howard Gibbs, District of Columbia
Howard Croft, District of Columbia

WASA Staff

Jerry N. Johnson, General Manager
Avis M. Russell, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Martin called the 124th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:40 a.m.

Chairman Martin welcomed Howard Croft as an alternate member representing the District of Columbia. He noted that Mr. Croft has been appointed to the Customer and Community Services Committee.

Ms. Manley called the roll to establish a quorum.

The Motion to adopt the minutes of the Board of Directors' meeting of July 5, 2007 was Moved and Seconded and approved unanimously.

Customer and Community Services Committee

Reported by: Alan Roth, Chairperson

The Committee met on Tuesday, July 17th.

The Committee received follow-up reports on three specific issues from its June meeting. The first follow-up is in response to Ms. Richardson's questions about WASA's program for recreational summer use of fire hydrants. The General Counsel explained concerns regarding liability and insurance coverage issues in the event of an occurrence that might lead to a lawsuit.

The second follow-up was an issue that Mr. Tangherlini raised regarding complaints from customers in the Lincoln Park neighborhood about WASA's response to a water main break incident. The Committee examined whether WASA's response to this particular situation was appropriate and timely but more broadly, if WASA have adequate repair crews in place to deal with these situations on weekends and holidays, and in extreme weather conditions.

The Committee received from the General Manager and Mr. Kiely reports on the Lincoln Park case and WASA's winter repair crew arrangements. In the case of Lincoln Park, an underground water main break was not visible in the street. It compromised the sewer manhole which created confusion as to the source of the customer's problem and required some extra time in locating the break which was some distance away. The Committee concluded that the emergency response center and the repair crews responded in a timely fashion.

The Committee discussed possible technologies to identify leaks before they erupt into major breaks. As a follow up to that discussion, the General Manager at the next meeting plan to provide the Committee historical information on repair work and crews over the course of the last five years. Lastly, the General Manager assured the Committee that any WASA employee whose name and phone number is listed as the WASA contact on the work zone signs will have been screened and trained to insure accurate responses to customer questions or complaints about the projects.

Johnnie Hemphill and Gordon Fry provided the Committee with an update on the current local state and federal legislation related to WASA, specifically with regard to the Budget Support Act issues. The 30 day congressional review period for the District's legislation will expire in mid to late September without any further congressional action. If that happens at that point, the legislation passed by the DC council will become effective. Absent congressional action to amend or disapprove and assuming that this becomes a DC law, the full Board may wish to discuss at its October meeting what steps WASA should take to address the new enactment.

In the category of legislative affairs, the Committee followed-up on a conversation that the General Manager and Mr. Roth held regarding control of the Washington Aqueduct. Given Senator John Warner's past interest in this issue as a senior member of the Senate Environment and Public Works Committee and his impending retirement at the end of 2008, coupled with the current willingness of some other stakeholders to consider the issue, there may be a unique window of opportunity in the next 12 to 14 months to obtain federal legislation to address the issues related to ownership and/or management of the Aqueduct. The Committee came to no specific conclusions on this, but the General Manager agreed that staff would consider the issue given that narrow legislative window and come back to the Committee with a recommendation on whether and how to proceed.

In the area of community relations, the Committee received an extensive presentation from the General Manager on the flooding in the Palisades. All of the stakeholders, including WASA, have been actively involved in attempting to move toward a comprehensive resolution of the Palisades issue. The Committee emphasized that WASA remains a constructive participant in the Palisades discussions.

The Committee had the opportunity before the meeting to tour the call center, which was an excellent lead-in to a discussion planned on the Authority's policies, processes and priorities in the area of receivables and collections from delinquent customers.

Mr. Bardin requested that the Customer and Community Service Committee add to its agenda for discussion the impervious surface rates and the changing of the Lead Service Line replacements in terms of the public communications part and the government relations. Mr. Roth stated that the communications aspect of the lead service line replacement has to succeed a decision on how to proceed and when to proceed. Mr. Roth stated that he will be looking to Mr. Lake and the Environmental Quality and Operations Committee, other Board members and the Board Chairman for some guidance in that regard in terms of sequencing or timing.

Mr. Roth agreed that as the Board moves forward on the impervious surface rate that the Committee should get deeper into the public communication aspect.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairperson

The Environmental Quality and Operations Committee met on Thursday, July 19th.

Mr. Lake reported that for the month of June the Blue Plains Wastewater Treatment Plant for the month of June was operating under 300 million gallons per day with a 12-month annual average of 310.

There have been no new developments since WASA filed an appeal of specific requirements of the NPDES Permit. The Committee will receive an update at its next meeting.

WASA had one positive sample (coliform testing) for the month of June. All results are in compliance with EPA requirements. WASA has completed LCR compliance testing for the first semester, calendar 2007, and is below action level.

Mr. Lake stated that the morning of the Committee meeting there was an article in the Washington Post on disinfection by-products in the water supply system. The Authority's health consultant Dr. Guidotti, was in attendance at the meeting to discuss with the Committee lead concentrations and lead health issues or consequences of health due to lead. Dr. Guidotti was able to have some discussion about the disinfection by-product issue.

A group called the Environmental Working Group (EWG) did a quick analysis at the end of the chlorine burn and determined that there were high levels of disinfection by-products composed of substances called halocetic acids and trihaloethanes. WASA received some bad press from EWG that indicated that WASA was in violation. WASA was not in violation of the water quality standards. The standards are based upon a running four-quarter average of the disinfection by-products. EWG reported single sample results and EPA requires that any sample results be sampled essentially at the same locations within the system and they would be averaged over a year. The reason for that is that the health hazard associated with disinfection by-products is chronic with long-term exposure, as opposed to acute with short-term exposure. The key element left out of EWG's analysis was that the EPA standards were not indicated, and the fact that WASA had not violated any drinking water standard.

The Committee also had the advantage of hearing from Dr. Cotruvo who assisted in the development of the THM standard being part of the Board. Dr. Cotruvo provided the Committee background and understanding of the more recent studies to dispel some of the rumors that have been out there about disinfection by-products.

The Committee discussed the lead service line replacement program and recognized that there are technical aspects in the future of the program. There is a customer

service issue, rate issue and an overall financial plan that the Board would have to adopt. Therefore, the Committee felt the need for a Board work session to begin addressing the impacts of the program from a public health and cost standpoint and the future options.

A Committee member suggested that there needs to be a strategy developed in terms of what staff hopes to achieve. The question is if WASA is achieving what it intended to achieve a few years ago when the Board adopted the plan, and if not, why not.

Mr. Lake noted an article in the American Waterworks magazine on minimizing lead spikes. The article discusses full replacement and partial replacement, the analysis they took and, the background and controversy that exists in terms of how beneficial are partial replacements versus full replacements. The article has some good recommendations and they have to do with the results which indicated that through partial replacements, you do have lead lines within the water supply. It takes a significant amount of flushing to get lead out. WASA needs to educate itself and make sure that communications to the citizens of the District makes them aware of the requirements to minimize their lead exposure.

The Committee received a presentation on the Biosolids Management Plan. WASA went out to bid on the project and received one bid back on that and the bid was significantly higher than it was budgeted for. The Board decided to postpone pursuing that project and obtain updates every six months as to the status of the economic conditions that were responsible for bringing such a high price. In the meantime, WASA would take a look at biosolids management in general and make some recommendations as to whether or not there were things that could be done to bring the cost of this program, and specifically this capital project, down. The Committee will receive staff recommendations in terms of the biosolids management schedule for implementation of that plan.

The Committee had some discussion on its workplan. The Committee agreed that the fall Board retreat would be an appropriate place to have some dialogue and then develop its workplan after the Board retreat.

The Committee is recommending for approval a contract with Capitol Paving of DC. It is a non-joint use contract for storm water related infrastructure in the Bloomingdale area.

Chairman Martin asked Mr. Lake if the Environmental Quality and Operations Committee had taken a position on whether it is advisable for the Board to agree to a chlorine burn in the future should the Aqueduct or some of the other user jurisdictions propose a burn. Mr. Lake stated that the Committee had a discussion about the impact of the chlorine burn and the value of any future chlorine burn. The Committee is not at this point convinced of what the recommendation should be. There will be a future meeting to discuss the chlorine burn. The Committee requested from staff a

copy of the agreement between the Washington Aqueduct and WASA, to understand the agreement's content. Staff agreed to provide the Committee a summary of the agreement at its next meeting. In addition, Tom Jacobus, General Manager of the Washington Aqueduct, will be at the Committee's November meeting to discuss some of the issues.

Finance and Budget Committee

Reported by: Robin Martin, Chairman

The Finance and Budget Committee met on July 26th to review the June financial report. Mr. Adebo will provide the numbers for the July report during the General Manager's report.

Chairman Martin reported that the forecast for the September 30th year-end forecast indicates about a \$17 million positive variance from budget of revenues over expenses. This allowed the Board to receive a different recommendation out of the Retail Rates Committee.

The Lead Service Line Replacement Program was also discussed by the Committee from a financial perspective but with the same technical and scientific background that the Environmental Quality and Operations Committee received. The Committee believes that the driving force behind a decision to modify or eliminate the Lead Service Line Replacement Program should be health issues. Chairman Martin stated that \$300 million plus dollars are committed to be spent over the next seven years for the Lead Replacement Program. The Board needs to be mindful that the program has a purpose and to understand that purpose is being met and is still needed. The Committee discussed the Mayor's initiative on lead abatement, particularly for children, which impacts the Lead Service Replacement Program. There should be some coordination through the City Administrator's office.

Public engagement is very important in any review of the Lead Service Line Replacement Program. This Program grew out of a public perception of problems, not necessarily a scientific need to perform this program. The Authority is not under an EPA requirement to perform this program at this point, but it is the public's concern about lead in the water, and the Authority needs to be thoughtful about any change to the current program and the potential response by the public.

The Committee discussed the independent review of WASA's budget. The General Manager will provide the Board an update in his report.

The Committee discussed the move of the O Street facilities next to the baseball stadium. The Board will have an executive session today on the move because of some legal issues.

Retail Rates Committee

Reported by: Chairman Robin Martin

The Committee met on July 25th and received a briefing on the impervious area rate, and held a workshop this morning prior to the Board meeting on the impervious surface area rate.

The purpose of the impervious surface rate is to find a funding mechanism that is closely tied to the cause for the combined sewage overflow long term control plan. The impervious surfaces is a mechanism for recovering those costs that the Board has been talking about for quite some time.

Staff has engaged in discussions with the proposed consultants prior to this time and on the Board agenda today is a contract for Board consideration for the consultant to assist with that work. WASA proposes to construct through the consultant an impervious surface database mainly from existing sources to provide a more definitive assessment of what the actual rate impacts and customer class allocations will be among the various rate payers. WASA is planning to implement a parcel by parcel rate for non-residential uses in the District. There is discussion of having an equivalent residential unit, (ERU) approach to residential properties.

The ERU process is being used in other cities and that process is up for debate as WASA moves forward in terms of how flexible WASA is in defining what an ERU is and whether there are any gradations within that definition. Staff assumes that public streets would be excluded from the discussion of billing for an impervious surface.

A calendar of events leading up to the publication of rates and the imposition of this rate in October 2008 was presented to the Committee. The Committee is recommending that it be prepared to meet throughout the rest of the calendar year and early 2008 as this project goes forward. There are a number of policy issues that need to be discussed. Public education is a critical element because this is quite a change for ratepayers. The ultimate result may not be dramatically different for some ratepayers and may be dramatically different for others in terms of their total bills. There will be more discussion in the future on the ERU process.

The Committee discussed the retail rate and fee proposals. The General Manager proposed in January an increase in rates of 7.5 percent. The Committee had a discussion with an interactive program that Mr. Adebo presented showing the 10-year financial plan, the remaining eight years of the 10-year financial plan and what changes in rates would do to future rates. The assumption is that the revenue required for that remaining eight-year period would remain constant and that by changing the rates and buying them down or manipulating them in one way or another, it would produce rates in the future that might, in fact, be against the policy of the Board of having smooth rate increases over a period of time.

The Board and Committee reviewed those possibilities and looked at a number of different variations of how rates could be changed by drawing down on the Rate Stabilization Fund to certain extents over a period of time. The Committee is recommending to the Board a rate of 6 percent instead of management's 7.5 percent recommendation to the Board given the \$17 million positive variance in operations that is projected for fiscal year-end 2007.

The Committee is recommending two items for approval. One is the retail rate increase of 6.0%. The other is the impervious area billing rate development contract with PB Consult. There was discussion about the work that needed to be done, the qualifications of PB Consult, whether or not there is sufficient time between today, when action might be taken on this contract, and October 1 next year when the rate would be imposed. Staff including the consultants who are here today agree that this is a very tight time schedule.

The Committee plans to meet in October to discuss the Rate Stabilization Fund policy. Chairman Martin noted that policies concerning Rate Stabilization Fund have not been reviewed recently and management will be presenting a review of the fund.

Ms. Richardson emphasized the importance of the public education and outreach plan for the impervious surface rate and the opportunity for WASA to think outside of the box as WASA continues to be a good environmental stewards. In addition, Ms. Richardson reminded the Board that this is an opportunity to educate developers.

Mr. Bardin asked whether in the Committee's consideration of the proposed retail rate increase, did the Committee considered the fact that WASA is on the verge of having the impervious surface rate as a factor that would pay for part of the revenue requirement without raising the per gallon rate. Chairman Martin stated that the rate imposed on the impervious surfaces would not go into effect until October 1, 2009, and the Committee did not review that because it would not effect fiscal '08. The Committee at the present does not have enough definition of what the impervious rate would cover in terms of required revenue, including for instance, who would pay the rate and if the rate is going to be phased in or all in on October 1, 2008. There are many different variables and it was not possible for the Committee in considering the rate beginning October 1, 2007, to put sufficient definition on all those variables to make a decision different from the one the Committee made.

Mr. Bardin stated that the materials sent out for the Retail Rates Committee stated Scenario Number 2, to yield incremental retail revenues of about \$8.8 million a year. In the resolution before the Board today that \$8 million has become \$9.7 million a year. Mr. Bardin asked which is the correct number. Mr. Adebo stated that scenarios staff ran for the Committee omitted the incremental revenues from federal customers. It was not included in the eight million that was presented to the Committee. Staff was focusing more on the non-federal customers, with the drafting of the resolution although the federal customer is also going to be impacted with the rate increase. Mr. Bardin said he hope staff would not again omit information about the federal-

customer portion of WASA's retail customer population because rate increases to WASA's federal customers are retail rate increases and incremental revenues from federal customers are part of WASA's incremental revenue. The General Manager said that omission would not be repeated.

Mr. Bardin asked if the Board is making a commitment with the PB Consult contract to the ERU methodology. Chairman Martin responded that as long as there are no additional data to be collected, that the flexibility would continue to be as broad as the Board would like. Data collection is based on the cost. The contract is based on a certain amount of data collection, coordination and cleaning up.

Audit Committee

Reported by: Timothy Firestine, Chairperson

Mr. Firestine reported that there are no action items coming before the Board from the Audit Committee.

The Committee received a presentation from Mr. Hunter, Internal Auditor on the audit risk assessment approach that is used to identify audit opportunities based on risk within the organization.

The Committee was informed that there is a new accounting requirement related to the reporting by WASA's external auditors. The requirement lowers the threshold basically in terms of what the external auditors have to report to the Board.

Human Resource/Labor Relations Committee

Reported by: Anthony Griffin, Chairperson

The Human Resource/Labor Relations Committee met on July 24th and had a subsequent meeting on August 21st via conference call. Mr. Griffin focused on the last two pages of the August 21st report.

Mr. Griffin discussed the two action items recommended by the Human Resource/Labor Relations Committee. He noted an amendment to Resolution #07-68. He proposed deleting the third bullet in the resolution that references a home appreciation loan. In addition, the second to the last page of the second set of minutes has a chart with proposed recruitment and retention incentives and the committee agreed to support all the incentives identified with the exception of the home appreciation loan. The Committee's position was that it needed to have more information on how the home appreciation loan would work before it can be in a position to recommend to the full Board.

The Committee is recommending Resolution #07-67 regarding the annual leave conversion program. It is the Committee's understanding that all of the proposals can be implemented within the current budget.

The Committee spent most of the time discussing these incentives, and why it was desirable. It is related to the fact that WASA is having a very difficult time recruiting for certain positions in the Authority. There are currently about fifty active recruitments underway out of 100 vacancies.

The Committee expressed its concern about succession planning, work force planning and the Authority's ability to attract the talent necessary for the organization to continue to achieve the excellence it has been achieving.

The Committee will meet on September 13th with the five presidents of the unions that represent employees here at DCWASA.

Chairman Martin asked Mr. Griffin if there are any plans for addressing needs for management of the long-term control plan projects. He stated that the project will put increased pressure on the WASA staff, particularly in the engineering and planning areas. This accelerates the need to be aggressive in terms of filling positions. In addition, he asked if there are other steps that WASA should consider that would be more attractive to perspective employees, for example flex time or other non-financial benefits that could be offered to employees. Mr. Griffin stated that it is his understanding that the General Manager is planning to present a proposal to the Committee as it relates to staffing of senior management positions. The Committee is focusing on the number of vacancies, the recruitment process and how the incentives relate to the recruitment.

Mr. Firestine asked if staff was sure that they fully understand why WASA is having difficulties hiring and if the incentives presented by the Committee address the issue. Mr. Johnson stated that WASA has done a number of exit interviews and worked with some of the professional recruiting firms that have been brought on board to assist in some of the recruitment efforts. Mr. Johnson stated that the number one reason is housing and cost of living.

Mr. Firestine asked if WASA evaluates its pay scales relative to other comparable jobs in the region. Mr. Johnson stated that WASA evaluates its pay scale on an annual basis and benchmarks selected positions against other positions in the region.

Chairman Martin requested that the Committee work with the General Manager to establish guidelines to include criteria for which positions are selected to give the General Manager the discretion he needs but with a concept of a cap of the cost or tied to the vacancy rate to give the Board a handle on the costs.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The General Manager reported that during the months of July and August the plant parameters were well within the parameters of the permit and all operations are going well. He noted that Olu Adebo will provide details of the financial report for July.

The operating expenses are projected to be 94 percent of the budget by end of year and that is out of a total of \$312 million. Capital expenditures totaled about \$138.6 million or 77 percent of planned disbursements.

Revenue for this reporting period is on target with 83 percent of the year completed. The Authority is at 82 percent of its revenue projects.

Reserves stand at \$246.5 million with \$116 million in operating reserves, \$58 million in rate stabilization and \$71 million in CSO reserves from the Federal Government.

Budget preparations continue within the organization and the Board will receive a formal presentation in October.

Mr. Johnson provided the Board the status of the independent budget review. He noted that the Authority did not receive bids on the RFP. The Authority spoke with some of the firms and it was found that because of the time of the year, the firms were not able to pull together resources in the length of time that the RFP required. The firms could not find the appropriate engineering firms to team up with who did not already have a working relationship with the Authority.

The RFP was resubmitted for a response and the time for reporting was extended to 90 plus 15 days. In addition, a pre-bid conference was added as a part of the process which would allow any firms that are interested to come in and if there are continuing time constraints or other issues staff would be able to address those as part of the pre-bid conference.

The Authority billed the Potomac Interceptor (PI) users based on a rate study that was recently completed and one of the products of the rate study was to capture the prior under billings that have been made. Staff has been dealing with that issue for about a year and the option was to increase the rate to capture that and that is precisely what was done. Staff has been meeting with the PI users as recently as last week to determine and give them the option of either paying at the higher rate or making a cash settlement payment or a cash payment of the arrearages.

The Goods and Services contracts executed during the reporting period are a little in excess of \$2 million. The construction and A&E contracts executed were about \$27.6 million.

The Authority has been working closely with the District's Fire Department on fire hydrant inspections. It is WASA's understanding that the Fire Department completed the inspections. There are about 79 hydrants reported this morning out of service and they are being repaired.

The drinking water system is in full compliance with all of the requirements of the Safe Drinking Water Act. WASA has discontinued the carbon filtration addition that was done by the Corps of Engineers for taste and odor problems that had been experienced in the early part of the summer when WASA had a fairly severe drought condition. The Corps of Engineers have been testing and checking the water and believe that WASA has gotten beyond that problem.

The Flushing Program is on schedule and the flushing crews are testing and monitoring. The second semester begins in July for the monitoring of the Flushing Program.

WASA continues negotiations with the labor unions. An impasse has been reached on ground rules with one of the labor unions as it relates to the discussions around working conditions. However, the negotiations on compensation are ongoing.

The General Manager announced that the Authority is a recipient of the Government Financial Officers Award 2007 Distinguished Budget Award. The Authority also received from the National Association of Clean Water Agencies the Gold Award again this year which means that the plant operated last year without any excursions of the permit.

Mr. Lake stated that there should be some level of technical signoff of the General Manager's Report prior to distribution to the Board to avoid the distribution of outdated information.

Mr. Bardin asked the General Manager if he expects to replace all 147 large meters. The General Manager replied that he expects to replace them all. The water services group and the meter services operation with a contractor are working together for the replacements of the large meters.

Mr. Tangherlini asked if there was a particular issue on the 83 backlogged leaks. Charles Kiely stated that he would get back to the Board with that information.

Mr. Tangherlini noted that the Potomac Interceptor rates were established under a contract signed in 1960 and questioned if the contracts have any term or limitation. He asked if WASA has the flexibility to renegotiate the contracts and if the Board has any opportunity to participate in the setting of these rates or whether these contracts are in perpetuity or if WASA has the ability to discuss or renegotiate them.

Chairman Martin requested that the General Manager provide a presentation on the PI contract. The General Manager stated that he would provide a presentation to the Finance and Budget Committee.

Mr. Adebo highlighted some of the financials for July. He reported that revenues are projected for the end of the year at about 100.3 percent. Mr. Adebo noted that on page 1 of the General Manager's Report there is a summary of the year-end projects for both total revenues and expenditures.

Mr. Griffin suggested as a long term project that the Board receive a General Manager's Report that is more performance-based rather than statistical reporting. Chairman Martin agreed and stated that he, the General Manager and other Board members have been discussing the concept of taking the statistical data or the performance-based numerical data and putting it into a data dashboard, which is a compact way of indicating whether WASA is meeting performance goals and reserve the remaining pages of the report for a narrative discussion that provides the Board with updates on policy issues.

Administrative Item

Approval of Resolution No. 07-66, Final Water and Sewer Service Rates and Right of Way/PILOT fee for Fiscal Year 2008 (Recommended by the Retail Rates Committee 07/25/07)

Chairman Martin moved to the administrative item and asked if there was a motion to approve Resolution #07-66, Approval of the Final Water and Sewer Service Rates and Right of Way/PILOT Fee for Fiscal Year 2008. Mr. Roth moved the motion and Dan Tangherlini seconded the motion. Chairman Martin asked for discussion of Resolution #07-66.

Mr. Bardin proposed a motion that the Board (District members only) make a reduction in management's proposed increase. Mr. Bardin suggested that the Board (District members) take \$3 million out of the proposed \$10 million total increase and instruct the staff to change the numbers in the resolution to reflect a proposed increase of \$7 million. Mr. Tangherlini seconded Mr. Bardin's motion for discussion.

Ms. Roberson asked Mr. Bardin if he was aware that staff proposed a 7.5 percent increase to the Committee and then staff came back and informed the Committee that there would be a \$17 million surplus and the proposal was reduced to 6 percent. Mr. Bardin stated that he was aware of the original 7.5 percent proposal by management; however, at the time staff presented the proposed 7.5 percent increase the Committee was informed that this would involve dipping into the Rate Stabilization Fund. Mr. Tangherlini stated that the Committee looked at the multi-year effects of the rate increase and agreed that the 6 percent is the conservative position to take.

Chairman Martin stated that the Retail Rates Committee discussion with the interactive presentation presumed that the revenue required for the remaining eight years remains constant. Therefore, he is not in favor of Mr. Bardin's approach because that is a financially unreasonable reduction in the Board's (District members) current rate proposal. However, there is an in-between position which he is prepared to make in a motion once the Board (District members) votes on the motion.

Mr. Bardin stated that he would be happy to withdraw his motion in order to let one motion be the one that the Board considers. Mr. Tangherlini who second Mr. Bardin's motion for discussion had no objection to Mr. Bardin's withdrawal of his motion. Chairman Martin stated that the motion is withdrawn.

Chairman Martin moved that the Board approve a rate increase at 5.5 percent, which is the same as it was for the current year. This increase is sufficient, incremental so that the Authority will not run into financial difficulties. Mr. Tangherlini seconded the motion to implement the rate increase at 5.5 percent.

Chairman Martin asked if there was any discussion on the motion. Mr. Tangherlini stated that Mr. Bardin raised an excellent point about the PILOT component. He suggested in a later amendment that the Board explore the effective date of the PILOT increase to be tied to the CFO completing the certification.

Chairman Martin moved that the Board maintain the rate increase at 5.5 percent. The motion to adopt Resolution #07-66, Approval of the Final Water and Sewer Service Rates & Right of Way/PILOT Fee for Fiscal Year 2008 with Chairman Martin's amendment was moved and seconded and approved by the District of Columbia Members of the Board of Directors.

Chairman Martin asked if there was another amendment to Resolution #07-66. Mr. Bardin moved an amendment to the resolution. He moved that the resolution be amended to direct the General Manager to make the payment of the fiscal year 2008 increase in the PILOT contingent on the DCCFO providing the certification called for by the MOU.

After a thorough discussion on this issue among the District Members of the Board, Chairman Martin recommended that Mr. Bardin's motion be withdrawn and the Board approve the current motion to approve a rate increase of 5.5 percent. The General Manager should transmit the sense of the Board's discussion with a request for the formal certification of the cost of service as required under the MOU with a deadline of October 31st.

The amendment of Resolution #07-66 was Moved and Seconded and unanimously approved by the District of Columbia members of the Board of Directors.

Consent Items (Joint-Use)

Mr. Griffin moved approval of Resolution #07-67 and Resolution #07-68 with the removal of the third bullet on Resolution #07-68.

Approval of Resolution No. 06-07, Annual Leave Conversion Program (Recommended by the Human Resource/Labor Relations Committee 07/24/07)

Chairman Martin asked for a motion to approve Resolution #06-67, Annual Leave Conversion Program. The Motion to approve Resolution #06-07 was Moved and Seconded and unanimously approved by the Board of Directors.

Approval of Resolution No. 06-08, Recruitment and Retention Incentive Program (Recommended by the Human Resource/Labor Relations Committee 07/24/07)

Chairman Martin asked for a motion to approve Resolution #07-68, Recruitment and Retention Incentive Program. The motion was moved and seconded. Mr. Griffin requested an amendment to remove the third bullet under the fourth "whereas" on the first page of the resolution.

Chairman Martin asked for any discussion on the motion. Mr. Firestine stated that he was not prepared to support Resolution #07-68. He stated that a stronger case needs to be made relative to the requirement. He stated that fifty vacancies are about five percent of the work force and that is normal for an organization. In addition, the Board should have a good understanding on what the policies would be with respect to the housing incentive. He stated that there are other impacts that are not clear. How will the incumbent employees perceive this action when they are sitting next to someone who is getting a signing bonus and housing allowance sharing a similar position and how does this tie into a succession plan.

Chairman Martin thanked Mr. Firestine for his input. The Motion to approve Resolution #07-68 with the amendment was Moved and Seconded and approved by seven members of the Board. Mr. Lake, Mr. Firestine and Ms. Roberson voted no. The motion passed.

Consent Items (Non-Joint Use)

Approval of Resolution No. 07-69, Contract No. 070090, Capitol Paving of DC, Inc. (Recommended by the Environmental Quality and Operations Committee 07/19/07)

Chairman Martin asked for a motion to approve Resolution No. 07-69. The Motion to approve Resolution No. 07-69, Capital Paving of DC, Inc. was Moved and Seconded and approved unanimously by the District of Columbia Members of the Board of Directors.

**Approval of Resolution No. 07-70, Contract No. WAS-07-037-AA-JS, PB Consult
(Recommended by the Retail Rates Committee 07/25/07)**

Chairman Martin asked for a motion to approve Resolution No. 07-70. The Motion to approve was moved and seconded. Chairman Martin asked for a discussion. Mr. Roth stated that there was a discussion at the Retail Rates Committee meeting about the future of WASA's relationship with PB Consult. His understanding of that discussion was that management and the Board on a future basis will take a closer look at whether or not WASA's continued relationship with PB Consult in future rate setting years will continue on the same basis. He wanted it to be clear for the record that by making the motion to approve the resolution that this is not an indication of any particular intention with regard to the future.

Chairman Martin stated that the motion stands on its own for this contract. The Motion to approve Resolution No. 07-70, PB Consult was Moved and Seconded and approved unanimously by the District of Columbia Members of the Board of Directors.

This concluded the regular business of the District of Columbia Water and Sewer Authority Board of Directors.

The Board went into an executive session to discuss property acquisition and legal issues at 1:07 p.m.

The Board reconvened into open session at 1:35 p.m.

The meeting was adjourned at 1:36 p.m.


Secretary to the Board of Directors